Secrets. II-27—50,000—27-10-41.

Development (1943) Department.

Ms SERIES. Confidential

G.O. No. 311

Dated 12.3.1943

M

[Despatch Abstract.]

War - Defence of India rules -
'Kollegal Silk Filatures Ltd, Kollegal
Requisitioning of — Arrangements
for running the Factory —
Orders passed.

Dev. Dept

Confidential

Pl urge

D.O. No 17416 SC/42-1 d 18/11/42

Dear Mr

Sub: War. Supplies - Kollegal Silk Filament

Requisitioning under the D.O.I. Rules

The Kollegal Silk Filament has not been able to keep up to the delivery programme in respect of the orders for silk placed with it by the Deptt of Supply. It has been suggested that the concern may be requisitioned under the D.O.I. Rules with a view to speeding up the supply. I am to request you to examine what capital will be

required to work the factory to capacity and how this Capital can be provided, if it is ultimately decided to take over the Concern

This may be treated as urgent.

Ls Cm
17/11/42

VSR
16.11.42

16/11/42

E

To P. Madhava Menon Esq
M.B.E.I.C.
D. Tec.

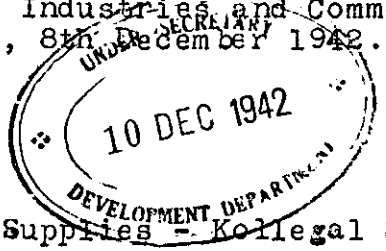
DPS
16.11.42

CONFIDENTIAL.

D.O.No.2160 D/42.

12783

Director of Industries and Commerce,
M a d r a s, 8th December 1942.



My dear Narasimhan,

Subject: War - Supplies - Kollegal Silk Filatures Ltd. - Requisitioning under the Defence of India Rules - Working capital required to work the Factory.

Reference: Your D.O.No.11446 Sc/42-1 dated 18th November 1942.

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I enclose, for consideration of Government, a note received from the Sericultural Expert, Kollegal on the above subject. I agree that if the concern is to be requisitioned and run by Government it may be on the lines suggested by the Sericultural Expert. The staff proposed by him is more or less on the lines of the staff suggested for the Government Silk Filatures to be started at Kollegal. The expenditure incurred by the Kollegal Silk Filatures Ltd., during the period of 14 months from 1-5-40 to 30-6-41; as revealed by the available audit report relating to that period, amounted to Rs.3635-7-0 only, under 'Salaries' besides an amount of Rs.7000 under 'Managing Agents allowances' The expenditure on staff suggested by the Sericultural Expert is, you will notice, much in excess of that. But, as stated by him the Kollegal Silk Filatures Ltd., does not appear to be adequately staffed for efficient working and larger ~~suggested~~ suggested expenditure seems necessary to secure efficient working.

2. I find that the Kollegal Silk Filatures Ltd., have advertised in the Papers for a Business Manager on Rs.250-20-350. The Government have also, in their letter No.9670-D/42-6, dated the 3rd

IX

-2-

December 1942, addressed the Chairman, Board of Directors of the Kollegal Silk Filatures Ltd., in regard to the appointment of Mr.Macdonald as Manager on Rs.600 per mensem. The scale of pay suggested by the Sericultural Expert for Business Manager will require revision when a decision is arrived at in regard to the appointment of the Manager.

3. There are no savings in the Departmental budget to indicate the source from which the expenditure can be met by Government, in case ~~the concern~~ it is decided to ~~be~~ taken over ~~by Government~~ the concern.

Yours sincerely,

9/12/42

C.V.Narasimhan Esq., I.C.S.,
Under Secretary to Government,
Development Department,
M a d r a s.

Note by Sri K.T.Achaya, Sericultural Expert.

KOLLEGAL SILK FILATURES LTD., KOLLEGAL.

The Kollegal Silk Filatures Ltd., in which the Madras Government have a financial interest has not been able to keep up to the delivery programme in respect of the orders for silk placed with it by the Government of India, Department of Supply. The production of parachute fabric is of prime national importance and filature reeled silk with which it is woven therefore, becomes 'A War Necessity'. In the interest of the Defence of India, an emergency has now arisen when it becomes imperative to requisition the Kollegal Silk Filatures Ltd., under the Defence of India Rules with a view to speeding up the production to its maximum capacity and supply the Department of Supply The control of the Kollegal Silk Filatures Ltd., with all its Property and Assets and Capital and Liabilities will be taken over by the Government subject to the conditions specified below:

1. Government of Madras will take over management of the Kollegal Silk Filatures Ltd., under the Defence of India Rules, with all the staff, land, buildings, equipment, plant, machinery etc., immediately with a view to expand the production of filature reeled silk. The filature, when in full production, would be capable of producing 45,000 lbs of reeled silk in a year.

2. Madras Government will be responsible for the efficient working of the filature throughout the period of contract, i.e. under Government control.

3. The contract of working will be for a period of three years, subject to the standard 'break clause' but with the modification that the notice of termination will not take effect until six months after the date of notice: if a pruning season (i.e. August) does not occur during the period of six months, the termination will take effect from the 15th of August following:

4. The certified Assets and Liabilities as they stood on the date of taking over management of the concern will be the basis on which accounts will be adjusted by the Government with the concern.

5. Cash on hand or at Bank on the date of taking over control will be treated as a loan lent by the filature company to the Government if the company so desires, to meet working expenses. All cheques or monies received from the Department of Supply or any other party for supplies made until the date of taking over control will be treated in a similar manner. These amounts will be paid interest at the average rate paid by the Madras Government from time to time on their Treasury Bills borrowings. The Company has the option not to lend also.

6. All contracts entered into until the dateof taking over control will be executed except in the case of silk which will only be supplied to the Department of Supply.

7. Madras Government shall provide the balance of working capital required to run the filature.

8. The cost of production account will be debited with interest on such working capital, provided by the company and the Madras Government at such rates as may be agreed to between the Government and the Company.

9. The filature company will be paid a compensation of 7½% (seven and a half per cent) on an amount equal to the certified value of the property (i.e. land, buildings, plant and machinery, tools and equipment, scientific instruments, furniture and deadstock, carts, cycles etc., and live-stock) less depreciation thereon, on the date of taking over control.

10. The filature company shall provide an additional boiler at its cost.

11. Any extra expenditure incurred on the purchase of equipment to work the full complement of 150 basins should be borne by the company and will be deducted from the compensation that would be paid.

12. Renewals and replacements; petty construction and repairs; and purchase of tools and appliances will be made from the annual depreciation fund that will accumulate.

13. Transfer, transmission and forfeiture of shares will be attended to by the company's registered office.

14. Madras Government will take such steps as may be necessary to ensure that the price of superior quality cocoons shall not exceed ₹10/- a lb. The cost of green cocoons required to yield a lb. of reeled silk equivalent to 'D' grade should not exceed Rs.11-4-0. (In this connection) it may be stated that the cocoon price is soaring high day by day and it is nearly Rs.28 per maund today. It would not be possible, at this rate, to secure a sufficient supply of cocoons at reasonable rates without any legislative control and the question of control, must therefore, be taken up immediately and decided here and now. Without such control, it will not be possible to go ahead with our reeling programme.

15. The reeled silk produced by the filature will be sold to the Central Government at net cost. This cost will include,

(a) the direct expenditure on the working of the filature that is to say the cost of cocoons, wages, stores provision of motive power supervisory establishment etc., directly employed in the management of the filature,

plus

(b) interest chargeable on the working capital provided by the Madras Government and the Company,

plus

(c) compensation payable to the Kollegal Silk Filatures Ltd., for having taken over control of the filature,

plus

(d) the proportionate share of the Central Government for 150 basins in respect of extra expenditure on the propagation and supply of disease-free-seeds.

The total cost of production so worked out shall not exceed Rs.15-2-0 a lb. for silk equivalent to 'D' grade.

16. A provisional price will be fixed once in every six months. At the end of the six monthly period, the accounts and working of the filature will be reviewed and a new price fixed on the basis of the working results of the six months under review and Government control, and adjustments effected for any under or over charges made during the period, with the Central Government.

17. Madras Government shall be responsible for the maintenance of accounts, which would be subject to audit by the Accountant-General, Madras. In addition, the accounts will be also open for inspection, to the Cost Accounts Officers of the Government of India in the Finance Department, Supply Finance Branch.

18. All payments due to the Madras Government shall be adjusted on the basis of the accounts audited by the Accountant General, Madras with the Central Government.

19. The members of the Board of Directors of the Kollegal Silk Filatures Ltd., will be allowed access to inspect the filature.

20. Supply Department Officers will be allowed access, at all times, to the filature and the Madras Government will give effect as far as practicable, to any recommendations that may be made by the Government of India Officers for the improvement of the working of the filature, reduction of the cost of production and other matters connected with the working of the scheme.

21. At the conclusion of the contract, Madras Government will hand over the Management of the filature and other assets to the Kollegal Silk Filatures Ltd,.

The Kollegal Silk Filatures Ltd., is not adequately staffed for an efficient working and it is, therefore, very desirable to have a thorough overhaul of the staff and appoint persons duly qualified and suitable wherever necessary in the interest of the filature. The same scales of pay as are paid to the staff in the New Filature, have been proposed in this case also and the following will be the minimum staff required to run the filature satisfactorily. The pay of the existing members in the filature will be raised in accordance with the scales of pay fixed and regularised. This is necessary to create an extra incentive for turning out better work as most of them are well experienced in filature reeling.

FACTORY STAFF:

1	Business Manager on Rs.350-15/2-500	
1	Factory Manager on Rs.140-12½/2-190	
2	Foreman on Rs.40-5/2-60	
1	Cocoons Store Assistant on Rs.40-5/2-60	
1	Silk and Waste do.	do.
12	Supervisors on Rs.20-2/2-30	
1	Time-keeper on Rs.28-3/2-37	
4	Sentries on Rs.12-17	
1	Carpenter on Rs.28-3/2-37	
1	do. 20-2/2-30	
1	Cartman on Rs.12-17	
1	Boiler foreman on Rs.45-5/2-50-7½/2-65	
1	Mechanic on Rs.30-5/2-45	
2	Stockers on Rs.19-2/2-25-1/2-30.	

MINISTERIAL STAFF:

1	Cashier Accountant on Rs.70-5/2-85-7½/2-100.	
1	Assistant Accountant on Rs.55-5/2-70	
2	Lower Division clerks on Rs.30-55.	
3	peons on Rs.12-17.	

III. The working capital required to work the factory to capacity is furnished below:-

DETAILS.		AMOUNT REQUIRED Rs.
i. PAY OF OFFICERS:		
1 Business Manager on Rs.350-15/2-500		4,200
ii. PAY OF ESTABLISHMENT:		
1 Factory Manager on Rs.140-12½/2-190	Rs. 140 p.m.	
2 Foremen on Rs.40-5/2-60	80	
1 Cocoons Store Assistant on Rs.40-5/2-60	40	
1 Silk and Waste do.	40	
12 Supervisors on Rs.20-2/2-30	240	
1 Time-keeper on Rs.28-3/2-37	28	
4 Sentries on Rs.12-17	48	
2 Carpenters - 1 on Rs.28-37 and 1 on 20-30	48	
1 Cartman on Rs.12-17	12	
1 Boiler Foreman on Rs.45-65	45	
1 Mechanic on Rs.30-45	30	
2 Stockers on Rs.19-30	38	
1 Cashier Accountant on Rs.70-100	70	
1 Assistant do. on 55-70	55	
2 Lower Division clerks on Rs.30-55	60	
3 Peons on 12-17	36	
	1,010	12,120
iii. TRAVELLING ALLOWANCES:		
Travelling allowance ...		500
iv) OTHER CHARGES - MANUFACTURING etc. for 45,000 lbs.		
1. Cost of cocoons - 8,10,000 lbs at -10/- a lb.		5,06,250
2. Fuel - 1,100 tons at Rs.10 per ton ...		11,000
3. Wages:-		
150 reelers at 0-8-0 a day - Rs.75-0-0 per day		
75 cookers do. 37-8-0 ,,		

75 Knotters at 0-6-0	Rs.	28-	2	0
75 Silk examiners at 0-8-0		37	8	0
8 Sleiners do.		4	0	0
4 Bundlers do.		2	0	0
6 Cocoon weighers do.		3	0	0
12 Steaming and drying do.		6	0	0
50 Sorting at 0-6-0 day		18	12	0
12 Silkwaste cleaners at 0-8-0 a day		6	0	0
6 Wood-cutters at 0-8-0 ,,		3	0	0
4 Boiler attendants at 0-6-0 ,,		1	8	0
7 Miscellaneous ,,		2	10	0
	Rs.	225	0	0

for 300 working days at Rs.225 a day ...	Rs.	67,500
4. Oil, lubricants, petrol etc. ...		1,600
5. Packing materials ...		3,500
6. Water charges - filtering and supply ...		800
7. Postage and telegrams ...		500
8. Tools, appliances, petty construction, repairs, renewals and replacements to be met from the depreciation fund ..		3,000
9. Depreciation - Deduct ...		- 3,000
10. Printing and Stationery ...		500
11. Conservancy charges ...		300
12. Conveyance charges ...		200
13. Maintenance of livestock ...		250
14. Office expenses ...		150
15. Miscellaneous ...		150
16. Rents, rates and taxes ...		300
17. Insurance charges ...		1,216
18. Freight, cartage and cooly ...		1,500
Other charges - Total		5,95,716
v. DEARNESS ALLOWANCE ...		1,700
vi. DEARNESS ALLOWANCE TO MENIALS ...		100
Grand total	Rs.	6,14,336
		or
	Rs.	6,14,300

DEDUCT RECEIPTS FROM BYE-PRODUCTS - TO BE CREDITED TO THE EXPENDITURE HEAD:-

1. Cost of 1,620 maunds of double cocoons at Rs.9 per maund			14,580
2. Cost of 22,500 lbs of silkwaste at Re.1 per lb			22,500
Total	Rs.		37,080
		or	
	Rs.		37,100
NET WORKING CAPITAL REQUIRED ...	Rs.		5,77,200

The net working capital required will, therefore, be Rs.5,77,200. This amount is exclusive of the following items of expenditure which could only be determined when the filature is taken over by Government.

i. Interest chargeable on the working capital provided by the Madras Government and the Kollegal Silk Filatures Ltd., if it agrees to lend the cash balance,

ii. compensation payable to the Kollegal Silk Filatures Ltd., for having taken over control of the filature,

iii. the proportionate share of the Central Government for 150 basins in respectof extra expenditure on the propagation and supply of disease-free-seeds.

If it is ultimately decided to take over the concern, a sum of Rs.5,77,200/- may please be sanctioned to work the filature. Provision has been made for a full year for the working and hence this will need modification with reference to the date on which the concern will be taken over. I feel, that on no account, the total cost of production would exceed Rs.15-2-0 a lb. for silk equivalent to 'D' Grade if control of sale of cocoons at 0-10-0 a lb is enforced immediately.

IV. Purchase of equipment is not necessary. Only an additional boiler is required at present. Additional equipment if any, can be purchased as and when a necessity arises.

V. The Business Manager should be granted special powers as are granted to the Business Manager of the New Filatures. In this case, a standing permanent advance of Rs.15,000 may please be sanctioned.

Dev. Dept

Memo No 11446 SC/42-3 dt 28-12-42

Sub: Industries - Sericulture - Kollegal Silk Filatures LV - Requisitioning under the D.O.I. Rules.

Ref from the D I & C, No 2160 D/42 dt 8.12.42

The estimates of expenditure on the staff (including the Manager and the travelling allowance) are excessive compared with the expenditure sanctioned on similar items for the new Silk Filature factory at Kollegal, and can therefore be reduced considerably. The D I & C is requested to depute urgently particulars regarding the staff employed at present in the Kollegal Silk Filatures LV and its pay and to state in detail the necessity for additional staff proposed by the Sericultural Expert.

2. He is requested also to depute on the following points:

(a) Approximate certified Value of the property of the Company;

(b) Contracts, if any, of the Company other than the one for the supply of Silk to the Dept of Supply;

(c) approximate net profits, if any, earned by the Company;

(d) nature of the compensation to be pai

whether monthly or annual rent; ~~and~~ and

(e) the difference between the expenditure and receipts (at the prices accepted by the Govt of India for silk and assuming that the factory will work to its full capacity)

3. It is not intended that the Govt of India should finance the working of the Kollegal Silk Filature Ltd as in the case of the new Silk Filature factory at Kollegal. The Dibe is requested to examine and report whether any and if so, what alterations will be necessary in the terms of working of the Kollegal Silk Filatures Ltd contained in the note of the Secretariat Expert ~~forwarded~~ forwarded with the letter cited, to this Madras Govt. dtd to requisition & run the factory

4. The matter is very urgent and the reply on the above points should be sent so as to reach the Govt not later than 2-1-1943

2-1-1942

To the Dibe.

Issued 31/12/42 2-1-43

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13

C.F. 32.

Department

Received ..... Registered 310

From (Name) P.Madhava Menon Esq., M.B.E., I.C.S.,
Designation Director of Industries and Commerce,
Station Madras.

To
The Secretary to Government,
Development Department,
Madras.

Enclosures:

No. 2160-D/42 dated 6th January 1943.

Sir,

UNDER SECRETARY 7 - JAN 1943 DEVELOPMENT DEPARTMENT

Subject: Industries - Sericulture - Kollegal Silk Filatures Ltd., - Requisitioning under the Defence of India Rules.

Reference: Government Memorandum No.11446 Sc/42-2 dated 28th December 1942.

I enclose a copy of letter No.671-S/42 dated 1st January 1943 of the Sericultural Expert, Kollegal who has furnished particulars required by Government. In the circumstances stated by him, the staff proposed for the Kollegal Silk Filatures Ltd., is quite necessary in the interests of efficient working of the Filatures.

6/1/43

Director of Industries and Commerce.

G.M.

Copy of letter from the Sericultural Expert, Kollegal.

The estimates of expenditure on the staff and travelling allowance are based on the expenditure sanctioned on similar items for the New Filature and only proportionate expenditure has been proposed. I do not consider these in any way excessive

i. Pay of Manager.

Same scale of pay as is sanctioned in the New Filature Manager was proposed in view of the difficulty of getting a suitable person either with good business experience or technical skill for anything less than Rs.350 p.m. If we aim at efficiency which is very necessary, we will have to give the Manager a decent start. The ex-Managing Agents of the company were paid Rs.500 until December 1941 when it was split up into Rs.400 for them and Rs.100 to the Sericultural Expert for technical advice, though the filature never worked 100 basins a day at any time. The duties and responsibilities attached to the post of the Manager are heavy and I, therefore, feel that the scale proposed is reasonable. Government recommended in Memorandum No.9670-D/42-5, dated the 3rd December 1942 one Mr.Macdonald for the post of the Manager in the Kollegal Silk Filatures Ltd., on Rs.600 p.m.

ii. Pay of Establishment.

I have always felt that the Kollegal Silk Filatures Ltd., is under-staffed. The strength of the staff of the New Filature and their scales of pay were taken into consideration while proposing revision of pay and additional staff to the Kollegal Silk Filatures Ltd., and due regard was also paid to the work to be done. As already pointed out in paragraph II of my note dated 25th November 1942, the staff proposed is the absolute minimum required to run the filature on efficient lines. As the Director is aware, this filature has not been working more than 100 basins a day. It will not, therefore, be correct to base our estimates on its present working. I proposed a proportionate strength and uniform scales of pay for both the Filatures since their line of working is identical and in order that there may not be any disparity between the two,. I therefore feel that a reduction is not feasible. The details called for in the Government Memorandum are furnished below in the form of a comparative statement.

Comparative Statement.

Names of establishment.	Filatures K.S.F.Ltd., 150 basins.		New Filature 500 basins.
	Existing.	Proposed.	Sanctioned.
Business Manager	Nil.	1 (350-500)	1(350-500)
Assistant do.	1(130)	1 (140-190)	1(165-210)
Chief Foreman	nil.	nil.	2(85-120)
Foreman	nil.	2 (40-60)	4(40-60)
Labour Recruiting Assistants	nil.	nil.	2(do.)
Cocoon Store Assistant	1 (25)	1 (40-60)	1(do.)
Silk and Waste Store Assistant	nil	1 do.	1 do.
Supervisors	10 1(23),1(20), 1(17), 1(15), 3(13), 1(12, 2(10).	12 (20-30)	38(20-30)
Time-Keepers	Nil.	1 (28-37)	3(28-37)
Head Sentry	Nil.	nil.	1(17-22)
Sentries	2(1 on 10, & 1 on 4)	4(12-17)	16(12-17)
Lorry Driver	Nil	Nil	1(40-50)
Carpenters	2(1 on 23 & 1 on 10)	2 (1 on 28-37) (1 on 20-30)	2(30-45)
Cartman	1(8/8)	1 (12-17)	3(12-17)
Boiler Foreman	Nil	1 (45-65)	1(55-85) 1(45-65)
Mechanics	1(26)	1 (30-45)	1(30-45)
Stockers	2(14)	2 (19-30)	8(19-30)
Manager Accountant	1(100)	Nil	1(120-165)
Cashier -do-	nil	1 (70-100)	1(70-100)
Upper Division Clerk	nil	nil	1(-do-)
-do-	Nil	1 (55-70)	1(55-70)
Store-Clerk	nil	nil	1(-do-)
Lower Division Clerks	2(30)	2(30-55)	3(30-55)-one with shorthand allowance of Rs.25/- p.m.
Office attender	Nil	Nil	1 (19-30)
Peons	Nil	3(12-17)	10(12-17)

Para 2 of Government Memo:-- pt 11-1. above

(a) The certified value of the company's property as it stood on 30th June 1942 is Rs.82,800/-

(b) The Company has not entered into any other contract, other than the one for the supply of silk to the Department of Supply.

(c) Approximate profits (net) or loss (net) earned or incurred by the Company:--

	Profit	Loss
For the period ended 30th April 1939		Rs.6,544/-
-do- -do- 30th April 1940	Rs.6,884/-	
-do- -do- 30th June 1941		Rs.20,023/-
-do- -do- 30th June 1942	Rs.9,832/-	

As the Director is aware, the losses incurred by the Company are mainly due to the mis-management of the ex-Managing Agents who failed to adopt ~~xxxxxxxx~~ prudent measures of working.

(d) The Company may be paid monthly rental, equal to 7½% on the certified value of the property of the Company or any other rate that is generally allowed to factories requisitioned under the Defence of India Rules.

(e) The difference between the expenditure and receipts (at the prices accepted by the Government of India for Silk and assuming that the factory will work to its full capacity) will be as follows:--

15

I. Expenditure.	Kollegal Filature	New Filature.
	Rs	Rs.
Pay of Officers	4,200	4,200
Pay of Establishment	12,120	33,000
Travelling allowance	500*	1,500
Manufacturing charges	5,95,716	19,93,400
Dearness allowance	1,700	4,900
Dearness allowance to menials	100	300
Total ...	6,14,336 or 6,14,300	20,37,300
*Only 1/3 of what has been sanctioned for the New Filature is proposed in the case of the Kollegal Filatures. If the Govt. consider it excessive, it can be reduced to Rs.400/.		
Deduct receipts from Eye-products	37,100	1,23,600
Net required	5,77,200	19,13,700
Add compensation to the Kollegal Filatures at 7½% on the Certified value of the proposed if adopted .. Rs.6,210/-	or 6,200	
	5,83,400	

II. Receipts:-

Receipts by sale of 45,000 lbs. of raw silk at Rs.15-2-0 per lb.	6,80,625	
	or	
	Rs. 6,80,600	
III. Profit (item II minus I)	97,200(a)	

(a) This does not include the interest to be paid on the Working Capital to be provided either by the Govt. solely or partly by Government and partly by the Company.

PARA 3 OF GOVERNMENT MEMO:-

The terms of working of the Kollegal Silk Filatures Ltd., are revised as furnished below:--

1. The Kollegal Silk Filatures Ltd., in which the Madras Government have a financial interest has not been able to keep up to the delivery programme in respect of the orders for silk placed with it by the Government of India, Department of Supply. The production of parachute fabric is of prime national importance and filature reeled silk with which it is woven, therefore, becomes a 'War Necessity'. In the interest of the Defence of India, an emergency has now arisen when it becomes imperative for the Madras Government to requisition the Kollegal Silk Filatures Ltd., under the Defence of India rules with a view to speeding up the productio to its maximum capacity and supply the Department of Supply. The control of the Kollegal Silk Filatures Ltd., with all its property will be taken over by the Government subject to the conditions specified below:

2. Government of Madras will take over management of the Kollegal Silk Filatures Ltd., under the Defence of India Rules with all the staff, land, buildings, equipment, plant, machinery etc., immediately with a view to expand the production of filature reeled silk. The filature, when in full production, would be capable of producing 45,000 lbs of reeled silk in a year with 150 basins.

3. Madras Government will be responsible for the efficient working of the filature throughout the period of contract., i.e. under Government control.

A 4. The contract of working will be for the duration of the War or cessation of hostilities whichever is earlier

5. The certified value of the property of the company as it stood on the date of taking over management of the concern will be the basis on which accounts will be adjusted by the Government with the concern.

6. Cash on hand or at Bank on the date of taking over control will be treated as a loan lent by the filature company to the Government if the company so desires, to meet working expenses. All cheques or monies received from the Department of Supply or any other party for supplies made until the date of taking over control will be treated in a similar manner. These amounts will be paid interest at the average rate paid by the Madras Government from time to time on their Treasury Bills borrowings. The company has the option not to lend also

7. All contracts entered into until the date of taking over control will be executed except in the case of silk which will only be supplied to the Department of Supply. (At present the company has no other contract to fulfil).

8. Madras Government will provide the balance of working capital required to run the filature.

9. The filature company will be paid a compensation of 8½% on an amount equal to the certified value of the property (i.e. land, buildings, plant and machinery, tools and equipment, scientific instruments, furniture and deadstock, carts, cycles etc., and live-stock) of the company on the day of taking over control (If the Government so desire, the company may be paid at the rates that are generally allowed to factories requisitioned under the Defence of India Rules)

10. Transfer, transmission and forfeiture of shares will be attended to by the company.

B 11. At the conclusion of the contract, Madras Government will hand over the Management of the filature with all its property, to the Kollegal Silk Filatures Ltd. The cost of any improvements, alterations or additions made to the Factory by Government will be charged to the company.

DEVELOPMENT DEPARTMENT

17

STRICTLY CONFIDENTIAL

O.M. No. 11446 Sy/42-5 Dated 26.2.43

The Govt. have decided that the Kollegal Silk Filatures Ltd., should be requisitioned and worked under the control of the Govt. of Madras to ensure the better production of silk required for war purposes. The property will be requisitioned under rule 75(a) of the Defence of India Rules. The requisitioning cannot extend to the contracts between the Silk Filatures and the existing staff but it is presumed that the existing staff will be willing to enter into fresh employment contracts with the Govt. if so required. Compensation will be offered at 6% per annum of the value of the property. If the Govt. advance the working capital, the rate of interest charged would probably be 3½%.

2. The Govt. have decided that the requisitioned Filatures should be run under Mr. Peychaud's management till ~~atleast~~ Mr. Chou arrives. When the Govt. Silk Filature factory comes into operation in a month or two it may be possible for the two mills to be run under one management.

3. The D.I.& C is requested to send a sufficiently clear description of the Factory with full details of boundaries, village, taluk etc., for the purposes of the requisitioning order and to suggest the person to ~~whom~~ the Factory ~~is to be handed over~~.

4. The D.I.&C is requested to submit detailed proposals, including proposals as to the financial arrangements to be made, for this Government's consideration. The accounts system in the Kerala Soap Institute with possible modifications may serve as a guide. He is requested to discuss with M/S: Binny the question of taking both the existing Silk Filatures and the Government Silk Filatures under their management as Managing Agents and to ascertain

on what terms they are willing to do it.

To the D.I. & C

STRICTLY CONFIDENTIAL.

D.O. No. 2160-D/42.

Department of Industries and Commerce,
Madras, Dated 3rd March 1943.

My dear Sivasankar,

3857

Subject:- Kollegal Silk Filatures Ltd. ✓
Reference:- Government Memorandum No. 11446-SC/42-5 dated 26-2-1943.

1. There are one or two points in the memorandum which are not very clear to me. Government have decided to offer a compensation of 6 per cent per annum "of the value of the property". I am not clear as to what Government mean by the value of the property. In the annual balance sheets drawn up for commercial concerns, I find under Capital an entry to the following effect:

"Issued, subscribed and paid up capital".

Do Government refer to this ? The paid up capital represents both block capital and working capital. When the Filature is taken over and worked by Government, the share holders (who have contributed both the block capital and the working capital) have to be paid a dividend. I take it that Government are offering a dividend of 6 per cent per annum on the total paid up capital.

Paid up capital is, in so far as the filature is concerned, split up into two nearly equal parts, half being represented by block capital and the other half by working capital. Now a considerable proportion of the working capital is locked up in stocks (reeled silk awaiting despatch instructions of the Supply Department) and stores (cocoons purchased). The question of determining a fair price for the silk already sold has been under correspondence for some time. Government of India have, as you know, decided to pay more for the silk sold after 1st March as compared to that sold before that date. But accounts have yet to be settled so far as the old stock is concerned. The result is that the amount of working capital now available with the concern is quite insufficient to keep the filatures at full work. Perhaps working capital up to a lakh of rupees may have to be advanced by Government. Not that all this money is required just now but this would, I think, be the upper limit for the present anyway. I am told normally you require -- with cocoon selling at 10 annas per lb.-- Rs. 1,000 as working capital per basin. This of course is a rough estimate and no more.

2. In so far as the banking arrangements are concerned, the Manager may be authorized to draw moneys by cheque on the Sub-Treasury, Kollegal. Mr. Peychaud will do this for the present, and he will only draw such amounts as may be required from time to time for keeping the filatures going. I note the observation of Government as regards the accounts to be kept at the filatures. Government have suggested that we might take the Kerala Soap Institute accounts with possible modifications as a guide. This matter in so far as the new filatures are concerned has been under examination and the Sericultural Expert has been in touch with the Kashmir Government Filatures and has, I believe, procured a set of accounts maintained there. I am asking him to report in consultation with Mr. Peychaud, the form in which accounts should be maintained at the Government Filatures. The accounts at the Kollegal Silk Filatures will be maintained in the same way.

3. There are one or two matters to which I should refer. The memorandum cited at the head of this D.O. refers only to the future relations of the Government of Madras with the limited company. There is another aspect of the matter which I have no doubt has been under the consideration of the Government, viz., the dealings of the Government of Madras with the Government of India on behalf of His Majesty's Government. In this connection I would

like to bring to your notice the arrangements made by the Mysore Government to work 200 basins at Kankanahally, a few miles from Closepet, on behalf of His Majesty's Government. I was told that all expenses including 3½ per cent on the working capital advanced by Mysore Government will be borne by His Majesty's Government. I think a similar arrangement should be arrived at between Madras Government and the Government of India in the case of the Kollegal Silk Filatures. In this case, however, His Majesty's Government will have to pay in addition to all other expenses, the compensation of 6 per cent offered to share holder by the Government of Madras. In fine, Madras will bear no financial liability in the matter.

4. The last matter to which I would like to refer now concerns the training scheme sanctioned by Government in G.O.No. Ms.136 Dev. dated 6-2-43 If Kollegal Silk Filatures is requisitioned and if it is run on benalf of His Majesty's Government, then the financial arrangements sanctioned in this G.O. will be completely altered. Supervisory staff and labour ~~xxbexxtrained~~ are to be trained at the filature and after training they have to be employed at the new Government filatures. The cost of training, which includes the losses which the filature was anticipated to incur as a result of the working of the scheme, is to be borne by His Majesty's Government ultimately. But if this filature is requisitioned and run on behalf of His Majesty's Government, no question arises of recouping any losses. Orders of Government in so far as financial details are concerned will have to be modified accordingly.

Yours sincerely,

A Kadalu

T. Sivasankar Esq., I.C.S.,
Deputy Secretary to Government,
Development Department,
Madras.

A.N.-3-3.

Development Department.

Strictly confidential.

D.O.No. 11446Sc/42-6 d/ 9.3.43

My dear Khaleeli,

Kollegal Silk Filatures, Limited.

Your D.O.No. 2162D/42, dated 3-3-1943.

As was made clear to you at your discussion with the Second Adviser to His Excellency the Governor of Madras, it is the intention of Government that compensation should be paid on the value of the property, both movable and immovable, requisitioned by Government. The paid up capital is not a fair basis for payment of compensation.

2. Orders will issue separately on your suggestion that Peychaud may be authorised to draw monies by cheque on the Sub Treasury, Kollegal.

3. Your suggestion that the Madras Government should enter into an arrangement similar to that entered into by the Mysore Govt. to work the Kollegal Silk Filatures Ltd., does not commend itself to Govt.

220

4. If, as is the intention, the Factory is acquired, there will be a change in ownership and the terms of training will apply mutatis mutandis to the new owner, viz., the Govt.

Yours sincerely,

A.Khaleeli Esq., I.C.S.,
D.I. & C.

Memo No. 11446 SC/42-1 d/ 9.3.43

Strictly confidential.

Kollegal Silk Filatures Limited.

To work out the compensation payable to the Kollegal Silk Filatures Ltd., which it is proposed to requisition under the Defence of India Rules, it is found necessary to estimate the value of the property, both movable and immovable proposed to be taken over by Govt. The Govt. consider that an Executive Engineer should be put on special duty to value lands, buildings, machinery and stocks of materials etc. The Chief Engineer is requested to suggest the name of a suitable officer for valuing the factory.

To
The Chief Engineer,
P.W.D.(Gl).

C.F. 32 (a). Strictly Confidential.

23

Industries and Commerce Department

Received ..... Registered 4261

From (Name) A. Khaleeli Esq., I.C.S.,

Designation Director of Industries and Commerce,

Station Chepauk, Madras.

To

The Secretary to Government,
Development Department,
Madras.

Enclosures: Three

No. 2160-D/42 dated 9th March 1943.

Sir,

Reference:- Government Memorandum No.11446-SC/42-5, dated 26th February 1943.

Paragraph 3 of the Memorandum: Description of the Factory with full details of boundaries, village, taluk etc.

The buildings of the Kollegal Silk Filatures Ltd., are situated in field survey numbers 91 A (0.79 acres), 92 (4.52 acres) and 93 (0.25 acres) in the village of Mudigundam, Kollegal firka, Kollegal Taluk, Coimbatore district. field survey numbers 213 A (1.21 acres), 213 B (1.51 acres), 225 (1.97 acres) and 226 (1.78 acres) in the same village also belong to the company having been purchased by it for construction of labour lines. Survey numbers 91 A, 92 and 93 are bounded on the east by survey number 89 on the south by survey numbers 91 B, on the west by survey numbers 83 and 84 and north by survey number 82. Survey numbers 213 A and B are bounded on the east by survey number 212, on the south by survey numbers 213 C and 214, on the west by survey number 246 and on the north by survey number 206. Survey numbers

24

-2-

226 and 225 are bounded on the east by survey numbers 224 and 223, on the south by survey number 227, on the west by survey number 246, and on the north by survey number 214.

A rough sketch showing the lay out of the buildings and a plan furnished by the karnam of the Mudigundam village with details of boundaries are enclosed. These may be returned when done with.

I also enclose the title deeds of the Kollegal Silk Filatures Ltd. Schedule A of the title deed refers only to the survey numbers in which the buildings are situated. The other survey numbers were purchased subsequent to the date of the indenture. The title deed may also be returned when done with.

I suggest that the Sericultural Expert take over the factory on behalf of Government.

Movable property: The main items of the movable property at the filature consist of 150 silk reeling basins and connected machinery, 2 steam boilers, one steam engine, 2 stifling chambers, one bundling press, 2 pumps, one safe, stands, workshop tools, furniture, scientific instruments, silk examination stands, carts, cycles, one pair of bulls, 3 water carrying drums etc. A detailed list of the equipment has been called for from the Managing Director of the Kollegal Silk Filatures Ltd., Kollegal.

Director of Industries & Commerce.

MVS/

D.O. 57. 12/Mar

25

Department of Industries
and Commerce,

Madras, 12th March '43.

p 27 below

My dear Sivasankar,

I have just received a note from Peychaud a copy of which I enclose. The question now is what to do to make the filatures begin work atonce. Government are considering, I know, the requisitioning of the filatures. If this were to come off today there will be no difficulty in arranging for the capital required to work the filatures. But if requisitioning is going to take a few days, I suggest that Peychaud be authorized to draw up to a lakh (half) of rupees from the Sub Treasury at Kollegal. The Finance (boys) are bound to raise the question of security etc. The Company has, besides its machinery and buildings valued at Rs. 84,000 stock of about 1500 lbs. of silk which cost them Rs.28/- per lb. to produce ie. the Company is worth besides machinery and buildings stock (Sum of) Rs. 42,000. There is, therefore, no fear of our moneys being not backed up by security but there is no time for the formalities

being gone through. Peychaud may be asked to keep this stock of silk under his personal custody. Instructions should also be issued by wire to the Sub Treasury at Kollegal to meet Peychaud's demands.

Yours sincerely,

A K Chalub

T. Sivasankar Esq., I.C.S.,
Deputy Secretary to Government,
Development Department,
Madras.

IMPORTANT. Note on the Kollegal Silk Filatures Ltd.

The filatures have been closed since the seventh March. This on account of no working capital being available. Mr. Aiyer whom I met in Bangalore had told me that there were no cocoons in stock, and no money for buying more or paying labour.

I have been through the accounts of the Filatures and find that they have no liquid capital available. This has been caused by the C.C.S.A. New Delhi adjusting the bills for silk supplied against the advance of rupees one lack made a short while ago. This lack of rupees had been paid to the Company as an advance against the losses they had been put to because of the rise in the price of cocoons. I have caused a telegram to be sent today to the C.C.S.A. and to Suptexl explaining the situation.

The Company had a working capital at the end of June 1942 of about Rs.72,000/- in cash, stocks of silk and silk wastes, this I took from the balance sheet issued on that date.

The Company has sustained a loss of Rs.83,000/- on the supply of 14,000 lbs. of silk supplied to the Supply Dept on account of the rise in the price of cocoons. The Company have about 1,500 lbs. of silk in stock at present which has cost them about Rs.28/- per pound to produce. It is therefore perfectly clear that they can have no working capital available now.

The price of cocoons is at present about Rs.40/- per maund so if the filature is to work full, as is intended both for producing silk and for the training of labour for the new filatures, at least one and half lacks of rupees are immediately required.

The filatures will not work until capital is arranged.

Camp Kollegal. (Sd.) R. Peychaud
10-3-43. Dy. Director Textiles.
Copy to the Controller of Supplies, Madras.
Copy to the Director of Industries, Madras.

(True copy).

C.F.17.

DRAFT FOR APPROVAL.

DEVELOPMENT DEPARTMENT

	Date.	Initials.
When received for fair copying		
When copied		
When examined		
When signed		
When despatched.		

SUBJECT:—

War - Defence of India Rules - Kollegal Silk Filatures Ltd., Kollega Requisitioning of - Arrangements for running the factory - Orders passed.

READ AGAIN _____, dated _____ 19____.

" " _____ " _____ 19____.

READ *ALSO*:—

C. No 11446S/42 from the D.I. & C. , No. 2160D/42 dated 9.3.1943.

" _____ " _____ " _____ " _____ 19____.

" _____ " _____ " _____ " _____ 19____.

Order Ms. No. 311, dated 12.3.43. 19____.

The Government have decided to requisition the Kollega Silk Filatures Ltd., Kollegal, under the Defence of Ind Rules and an Order in this regard is enclosed The Director of Industries and Commerce is requested to ser the Order immediately on the Managing Director of the Kollegal Silk Filatures Ltd., Kollegal and arrange to affix a copy of the Order to some conspicuous part of the registered office of the Company. A copy of the Order may be sent by registered post to each of the Directors including the Chairman of the Board of Directors. He i also requested to direct the Sericultural Expert, Kolleg to arrange to take delivery of the movable and immovable properties specified in the Schedule to the Order. An inventory of the articles taken delivery of should be prepared immediately and forwarded to the Government.

2. Mr. Peychaud who is now in charge of the techni and production side of the Kollegal Silk Filatures Ltd., will also be in administrative control of the factory and arrange to work it without interruption. It will b open to him to re-employ the existing staff on such te as may be regarded as reasonable and employ any extra

aff as required. Details of the staff employed should be
ported to the Government in due course.

3. The Government direct that a sum not exceeding Rupees One half lakhs be placed at the disposal of Mr. Peychaud to meet orking expenses of the factory. The amount should be dra lls as and when necessary from the Treasury. The payment nd when made should be debited to the head "43. Industries - ustries" under a new sub-head "P. Kollegal Silk Filatures Ltd."

To the D.I. & C.
" A.G. thro' Fin.
" Chairman, Kollegal Silk Filatures Ltd., Madras—(with a copy of Order)
Copy to Public (War).

Peychaud is permitted to draw advances from the sub-treasury, Kollegal, to this amount which will be debited to "Deposits & Advances — Advances not bearing interest — Advances Repayable — Special Advances" The advances drawn will be adjusted in due course by detailed bills debitable to "43 a Industries — Industries under a new sub-head "P. Kollegal Silk Filatures Ltd." M/s Peychaud is permitted, as a special case, to draw on the sub-treasury, Kollegal by cheque. The A.G. is requested to supply him with a cheque book at once & to issue very urgently the necessary instructions as to safeguards to be observed & special accounting arrangements & to send a copy of them to the Govt.

DEVELOPMENT DEPARTMENT.

WHEREAS in the opinion of the Government of Madras it is expedient for the efficient prosecution of the War to requisition the property hereinafter specified;

NOW, THEREFORE, in exercise of the powers conferred by rule 75-A of the Defence of India Rules, His Excellency the Governor of Madras is hereby pleased to requisition with effect on and from the date of the service of this order the immovable and movable properties specified in the Schedule below and belonging to the Kollegal Silk Filatures Ltd., Kollegal and to direct the said company or other persons in possession of the said properties to deliver the same to the Sericultural Expert, Kollegal or to any person authorised by the said Sericultural Expert to take possession of the properties and in the meantime not to dispose of the properties or any part thereof in any manner without the permission of the Government of Madras.

SCHEDULE.

Immovable properties.

District.	Taluk and Firka.	Village.	Field Survey Nos.	Extent.
Coimbatore.	Kollegal.	Mudigundam.	91A	0.79 acres.
"	"	"	92	4.52 "
"	"	"	93	0.25 "
"	"	"	213A	1.21 "
"	"	"	213B	1.51 "
"	"	"	225	1.97 "
"	"	"	226	1.78 "

Movables

150 Silk reeling basins and connected machinery.
2 Steam Boilers.
1 Steam Engine.
2 Stifling chambers.
1 Bundling Press.
2 Pumps.
1 Safe.
" Workshop tools.
Furniture.
Scientific instruments.
Silk Examination Stands.
Carts.
Cycles.
One pair of bulls.
Three water carrying drums, and
all stock of raw materials possessed by the Company for the manufacture of silk.

(By Order of His Excellency the Governor)

SECRETARY TO GOVERNMENT.

Memorandum No.11446 Sc/42-dated 12th March 1943.

Sub: War - D.of I. Rules - Kollegal Silk Filatur Ltd. - Reqqisitioning ef - Arrangements for running the factory.

A copy of G.O.No.Ms. 311 Dev. dated 12-3-43 is forwarded to the A.G. for information.

2. The Kollegal Silk Filatures Ltd., Kollegal, ~~had to be requisitioned immediately~~ to ensure ~~continuous~~ supply of silk for War purposes, ~~and~~ Instructions in regard to the running of the factory had to ~~be~~ issued ~~simultaneously~~ ~~it was not possible to consult~~ the ~~A.G. previously~~, in regard to the accounting procedure ~~mentioned~~ in para.3 of the order. The A.G. is now requested to ~~give~~ detailed instructions as ~~stated~~ therein.

To the A.G. thro' Fin.

35 DC

INDIAN POSTS AND TELEGRAPHS DEPARTMENT.

Class Amount Rs. A. No. Date

Office of Origin

RECEIPT
FOR INLAND TELEGRAM
(See Instructions on reverse.)

INDIAN POSTS AND TELEGRAPHS DEPARTMENT.

A

Class Amount. Rs. A. No. Date.

Tel Dept Silk 12.3.43

Office of Origin

Service Code instructions

Inland Telegram

H. M.

Sent at

To

By

Words.	
Charge.	
Rs.	A.

Space for Postage Stamps
(Space for additional postage stamps on reverse.)

(If National Cash Register Machine is in use, the booking clerk should sign here.)

(Nothing is to be written by the sender abve this line.)

If this telegram is to be classed EXPRESS, write the class here.	EXPRESS	If this telegram is on State business, the word STATE should be written in this space.	STATE

Special Instructions
(See Clause 375, Post and Telegraph Guide.)

TO { Name PEYCHAUD
Address CARE SERICULTURAL EXPERT, KOLLEGAL.
Telegraph Office

GOVERNMENT	PROPOSE	PROVIDING	WORKING	CAPITAL TO
KOLLEGAL	SILK	FILATURES	AAA	WIRE IMMEDIATELY
AMOUNT	REQUIRED	UPTO	THIRTYFIRST	MAREH 1943.

D/C

NOTE:—The name of the sender, if required to be telegraphed, should be written at the end of the text in the space provided. The sender should sign and give his address in the space provided on the reverse of this form.

FROM { DEVMENT

12/3/43 (To be telegraphed)

36

Should any reference become necessary the production of this receipt will enable the telegram to be traced by the office of origin within seven days of the date of its dispatch—thereafter *Complaints* respecting this telegram and applications for *Refund* involving complaints against the Service should be made to the Postmaster-General of the Circle concerned, within two months from the date of the telegram. Applications for refund *which do not involve complaints against the Service* should be made to the Officer-in-Charge, Telegraph Check Office, Calcutta.

ADDITIONAL SPACE FOR STAMPS.

The *ACCURACY* of telegrams is not guaranteed; the Sender and Receiver must accept *ALL RISKS* arising from non-delivery, errors or delays. The receipt granted for the telegram should be enclosed with any reference regarding complaints or refund. In addresses consisting of a name prefixed to a Registered or Abbreviated address, or when a telegram is addressed to one person at the house of another whose name is also given the words "Care of" or the symbol "C/o" should be inserted after the name of the Addressee. There is always risk of a telegram not being delivered if a full and definite address is not given, in the first instance.

NOT TO BE TELEGRAPHED.

Signature and Address of Sender Superintendent, Development Department.

Eden Press, Calcutta—[illegible]—12-2-42—20,000 Bks. (M—26-2/42)

Calcutta Dept.

LAST SERVICED BY DEPARTMENT 15 MAR 1943

UNDER SECRETARY 123 14 MAR 1943 DEVELOPMENT DEPARTMENT

INDIAN POSTS AND TELEGRAPHS DEPARTMENT.

No.

9971-J Received here at [illegible] P.M.

O M KOLLEGAL 13 STE 22 DEVMENT MADRAS =

Govt of India (Supply Deptt)

SUPTIXL TELEGRAPHED YESTERDAY FORTYFIVE THOUSAND BEING

ADVANCED STOP WE REQUIRE FORTY THOUSAND MORE FOR MARCH

WRITING DETAILS = PEYCHAUD

Mr Meyer will [illegible]

Finance wants this information urgently. This may be sent to Finance also.

Interdepartmental [illegible] authorising Mr Peychaud to draw an amount not exceeding Rs 1,50,000 from the Reserve Fund of Telegraph Working Capital as approved [illegible]

The sequence of telegrams of foreign telegrams This ... of this telegram — class of telegram, time handed in, serial number (in the case of ... date, service instructions (if any), and number of words. ... mpany any inquiry respecting this telegram.

Eden Press, Ca... (5173/E-238)—12-2-42—30,000 Bks.

Secret 46044 Pc/43-1 15-3-43

Finance (Accts.B).

An amount of Rs.85000 which it is proposed to be disbursed during the current year may be included in the supplementary estimate of expenditure under Grant XXXVIII Interest-free Advances - Advances repayable'.

The following addition may now be made at the end of para 4 of the note already prepared by this Dept:-

'In addition, a sum of Rs. ~~85,000~~ 10,000 is required in the current year to provide for the working capital of the Kollegal Silk Filatures Ltd. which has since been taken over by the Government'.

(Camp) Kollegal
13th March 1943.

UNDER SECRETARY
15 MAR 1943
DEVELOPMENT DEPARTMENT

The Secretary to Government,
Development Department,
MADRAS.

Sir,

THE KOLLEGAL SILK FILATURES.

I have the honour to inform you that yesterday I received a telegram as under, from the Supply Department:-

"SY/TX-62(5)/45 REFERENCE YOUR LETTER FEBRUARY 20TH AND TELEGRAM FIRST AND SIXTH STOP CONTROLLER OF SUPPLY ACCOUNTS AUTHORISED TO MAKE LUMP SUM PAYMENT FORTY FIVE THOUSAND RUPEES ADVANCE STOP FURTHER REMARKS BEING POSTED.

SUPTEXL

also this morning a telegram from you reading:-

"PEYCHAUD CARE
SERICULTURAL EXPERT KOLLEGAL
GOVERNMENT PROPOSE PROVIDING WORKING CAPITAL TO KOLLEGAL SILK FILATURES AND WIRE IMMEDIATELY AMOUNT REQUIRED UPTO THIRTYFIRST MARCH 1943.

DEVMENT. "

For the remaining fortnight, I intend to use

1. 76 basins for the manufacture of para-chute silk, which will use a maund i.e., 25 lbs. of cocoons a day.

2. The other 74 basins will be utilised for training, which may take ½ a maund per day on an average.

On the whole, all the 150 basins will require 113 maunds per day, i.e., 1695 maunds for the

remaining 15 days.

Also, I intend to stock 300 maunds in the first instance. On calculation, I find that about Rs.85,000 will be required, of which the Supply Department have promised to give an advance of Rs.45,000. So, I require Rs.40,000 more upto 31st March 1943.

I shall thank you, if you will arrange and issue the necessary instructions to the Sub Treasury at Kollegal, authorising me to operate on the account by issuing cheques to cocoon dealers which will save a great deal of risk, if I had to ~~keep~~ all the money in my safe.

UNDER SECRETARY
16 MAR 1943
DEVELOPMENT DEPT.

I have the honour to be etc.

(R.Peychaud.)
Deputy Director, Textiles, Sypply Department, Govt. of India.

Dev Dept

ASST. SECRETARY
15 MAR 1943
FINANCE DEPARTMENT

Finance no. in Continuation
Accts Br 7318 of Dev no No 4604 Sc/43-1.d 15-3-43

Dev 15-3-43 Dep 15-3-43

Fin (Accts Br.)

Dev no. 4604 Sc/43-2 15-343

In view of X above, provn for Rs 40,000 only need be made. The note on p. 2 ante will be amended as indicated in pencil.

Pl keep copy of p.2-4 above and put up to Secy to Govt

p. 2 ante

16-3-43

16-3-43 Dev Dept.

Please note the

To Undersecretary

Finance Dept have made the necessary provision in the Supplementary estimate of expenditure for the funds required for working expenses in respect of Kollegal Silk Farms Dn. in 1942-43.

As regards B on p 4 above, necessary instructions have already been issued in G.O. No 311 Dev d 13.3.43.

These papers may be added to G.O. No 311 Dev d 13.3.43.

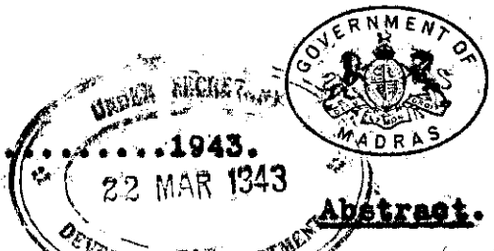
C
20343

Dr
18343 / 18643

* on p 4 above

* I Gh bA, t 4E.

43



Received.....1943. Registered.....1943.

5193

Abstract.

Establishment of Kollegal Silk Filature Ltd. - Valuation of property - Deputation of an Executive Engineer on special duty.

- -

PUBLIC WORKS DEPARTMENT.

G.O.No.R.216, dated 21st March 1943.

Read the following papers:-

From the Chief Engineer (General) No.1601E/43-1, dated 15th March 1943.

ORDER:

The following notification will be published in the Fort St. George Gazette:-

NOTIFICATION.

Appointment.

Under rule 31 (a) of the general rules for Provincial and Subordinate Services, Sri V.Ratnaswamy Pandian, Assistant Engineer, Cuddalore subdivision, is appointed temporary Executive Engineer and deputed for work connected with the valuation of property of the Kollegal Silk Filatures Ltd.

2. The above emergency appointment is made in view of the immediate necessity to post an officer for the work referred to.

(By Order of His Excellency the Governor)

D.D.Warren,
Secretary to Government.

To the Chief Engineer (General)
" the Accountant-General, Madras.
" the Public (Services) Department.
" the Director of Industries and Commerce.
" the Development Department.
" the Superintendent, Government Press for publication of notification in the Fort St. George Gazette.

.....

True copy.
F o r w a r d e d.
(By Order)

T. V. Ratnaswamy
Superintendent.

Dev. Dept

To Under Secretary

Submitted for perusal. (PWD have accepted the suggestion of this dept re: temp appt)

22.3.43 22.3.43.

22/3/43

Lyttel D Lehon

Ole Dr Lille me
Rent Le A G Lee wil kul a
Chegne Lork & Orland &
Thal ho mitmeching Lark Jee
bean Sinel Le Lil-Ly.
Klyge & Lomm Chegnes
Olese Jonlung Dyn Lilegram
L Le A. G.

P.T.O

4/3 Lee

Ex W

To H.S.

With reference to order at P 1 above, a draft telegram to A.G. Mads at Bangalore is submitted.

22/3/43 22/3/43

22/3/43

Express Telegram No 5440 S&G/43 22.3.43 Dev 47

To Accountant General,
Madras at Bangalore.

Refer proceedings 311 Dev twelfth march working Kollegal Silk Filatures dtd aaa Authorise telegraphically Treasury Officer Kollegal to honour cheques drawn by Peychand. aaa Supply cheque book Issue instructions safeguards.

Devment

Copy to AG. ✓
Mr Peychand.
DIR ✓

PTO

To Under Secy

The Draft Telegram overleaf may issue after perusal by Finance.

Fin may see a.l.

29 MAR 1943 DEVELOPMENT BRANCH

Finance Accounts B

The case may be perused and returned to Devlt. no.

Devt no 6025 22.3.43

Dev. dept

This may now be attached with Go No. 311 dtd 27-3-43

12-3-43.

1/4/43.

SECRETARY TO GOVT. 23 MAR 1943 FINANCE DEPARTMENT

Fin no 8013 27-3-43

will be attached to the Govt Order

49

6251 5846

Office of the Accountant General, Madras
Bangalore, Dated 23rd March 1943.
No T.XI.Genl. 15.

Reference:- G.O.No. 311 Development Department dated 12-3-1943 sanctioning an advance not exceeding Rupees one and a half lakhs for being placed at the disposal of Mr. Peychand to meet the working expenses of the Factory.

Kollegal Silk Filatures Ltd

A copy of the G.O. referred to above is herewith forwarded for information. Cheques drawn by Mr. Peychand Administrative Officer, Kollegal Silk Filature Co., on account of the advance sanctioned in the G.O. may be paid up to the limit of Rs. 1,50,000/- (Rupees one lakh and fifty thousand only).

2. The amount when paid may be debited in sub account No. 27 to the head "Advances repayable - Special advances - Other advances - Advances for running the Kollegal Silk Filatures Ltd., A provincial(Civil Department) cheque book may be supplied to Mr. Peychand. He is being requested to furnish his specimen signatures to you through the Sericultural Expert, Kollegal.

3. This may be treated as very urgent.

Sd. R. Rangaswami Ayyar.

Assistant Accounts Officer.

To

The Treasury Officer,
Coimbatore.

No. T.XI. Genl. 17 dated 23rd March 1943.
Copy forwarded to the Secretary to the Government of Madras, Development Department, for information.
Instructions regarding the accounting procedure will be issued separately.

R Rangaswami Ayyar

Assistant Accounts Officer.

P.T.O

50

30/3/43

Dev. Dept

Endt No 5440 SC/43 dt 29-3-43

Communicated to the DIBC.

(Appr. ...

5 APR 1943

932 dt 4

To the DIBC.

Copy to Hon. Peychaud.
Collegal.

Note After issue of this endt, the letter may be sent to Dev. Dept for perusal in continuation of Dev. no 5440 SC/43-1 dt 22-3-1943.

29/3/43.
Finance Accounts B. (R. ... Dev No. 5440-2D

6 APR 1943

28.3.43

The case may be perused and returned to Dev dt. in continuation of finance no no.
Auds. B-1 dt 27.3.43.

6-4-43 Dev No.

Received on 2-4-43 of the bill no 1k Rs. 311 dtd 12-4-43

Dev dept DI

This may now be stitched with As No. 311 dtd 12-3-43

6781

7/4/43.

No. T-10-Ind-I-171.

OFFICE OF THE ACCOUNTANT-GENERAL, MADRAS.

Fort St. George ~~xxxxxxxx~~ at Bangalore, dated 14th May 19 43

Enclosures.

ADDITIONAL UNDER SECRETARY TO GOVERNMENT
18 MAY 1943
DEVELOPMENT DEPARTMENT

To the Treasury Officer, Coimbatore.

Subject: Industries - Sericulture - Government Silk Filature Factory, Kollegal - Mr.Chow, General Manager, authorised to draw funds from treasury by cheques.

In Government Memorandum No.8957/D-43-2 dated 3-5-43, Mr.Chow, General Manager of the Government Silk Filature Factory, Kollegal, has been permitted to draw moneys from the Sub Treasury, Kollegal, by cheques to meet the expenditure on the working expenses of the factory. Please supply him with a cheque book.

Pending receipt of orders of Government regarding the accounting procedure to be adopted, the payments and receipts on account of the factory may be accounted for in the treasury accounts under the heads shown below:

Payments of Cheques:
Cash remittances etc.
Remittances of Commercial undertakings-
II Cheques (Government Silk Filature, Kollegal).

Receipts remitted into the Treasury:
-do- -do- I Remittances
(Government Silk Filature, Kollegal).

Mr.Chow is being requested to send you specimens of his signature.

p.t.o.

52

-2-

Mr.Chow is also being requested to send a monthly account to this office in respect of his transactions with the treasury under the heads noted above.

Sd-(K.M.Subramaniam)
SA, DEPUTY ACCOUNTANT GENERAL.

No.TX-Ind-I-172 dated 14-5-43.

Copy forwarded to Mr.Chow, General Manager, Government Silk Filature Factory, Kollegal, for information.

As soon as you are supplied with a cheque book, please notify the treasury officer the number of the cheque book brought into use and the number of cheque forms it contains and also furnish him with specimens of your signature (Vide Treasury Rules 28 and 29,) Attention is also invited to the Subsidiary Rules under Treasury Rule 16 regarding cheques (Pages 176 to 194 of the Madras Treasury Code, Volume I) and especially to the instructions on pages 184 and 185 of the Code.

The claims relating to the working expenses, viz. Pay, travelling allowances and contingencies may be drawn in the regular Government bill forms (duly observing the rules and regulations in the Madras Financial and Treasury Codes) and passed by you for encashment at the Treasury. As soon as the cheque is drawn, the relevant bills may be stamped 'Paid' with details "Paid by cheque No. ..... dated ....." and kept in your custody for submission to this office at the end of each month along with a monthly account prepared by you of the working expenses duly classified under the various heads in accordance with the accounting

procedure

(*and a cheque for the amounts to be paid, drawn by you for)

procedure which will be shortly approved by Government.

In the meanwhile, the Director of Industries and Commerce, Madras, is being requested to send you an advance copy of the note containing the accounting procedure outlined by this office and also a copy of G.O.No.1407 Dev. dated 20-11-1933 which contains the 'Government system of accounts and registers maintained at the various Government Commercial Concerns. It is suggested that if you find ~~your~~ it necessary, your accountant may be deputed for a few days to study the procedure for accounting adopted in the Government Cinchona Plantations, Ootacamund, so that no difficulty may be felt by you in maintaining the several registers and in the rendering of monthly accounts to this office.

Sd(K.M.Subramaniam) P.T.O.
DEPUTY ACCOUNTANT GENERAL.

SA.

No.TX-Ind-I-173A dated 14-5-43.

Copy together with a copy of the Endorsement to Mr.Chou, forwarded to the Additional Secretary to Government, Development Department, for information.

Krishnamurthy

SA DEPUTY ACCOUNTANT GENERAL.

To Addl Secy. Dev Dept

No action is called for on this.
May be lodged & ARRAS with connected
papers.

2254/22543

2/5/43.

Dev.Dept.

Subject: War - Supplies - Expansion of production of silk for war purposes - Kollegal Silk Filatures Ltd. - Requisitioning under the D.O.I.Rules - Proposals.

(C.No.11446-Sc/42). From the D.I.&.C., D.O.No.2160-D/42, dated the 8th December 1942.

***

To Under Secretary.

This file relates to the proposal to requisition the Kollegal Silk Filatures Ltd., under the D.O.I.Rules and to run it under Govt. control with a view to ensure the fulfilment of the existing contract for supply of silk and, if possible, to increase the production of silk for war purposes by working the Factory to full capacity. The D.I.&.C. was asked to report what capital will be required for the purpose and how the capital could be provided. His report together with a note of the Sericultural Expert on the subject is at pages 3-9 c.f. On the basis of the details given at pages 7-8 c.f., the working capital required is estimated at Rs.5,77,200/- exclusive of the items of expenditure mentioned at M on page 8 c.f. It has been suggested that the capital required should be provided by treating the fluid assets of the Company as loan given to Govt. if the Company agrees and by the Govt. themselves finding the additional funds required. The following points in respect of th proposal are for orders:-

Working capital. The Sericultural Expert has drawn up details for the working of the Factory on the presumption that the Govt. of India will bear the expenses of running the Factory under the control of the Madras Govt. as in the case of the new Filature Factory. The Govt. of India have not asked this Govt. to take over the private company, under Govt. control, under the D.O.I.Rules. For orders whether the Govt. of India will be addressed in the matter or whether the Govt. of Madras intend to requisition and run the Factory on their responsibility.

The working capital of Rs.5,77,200 suggested by the Sericultural Expert is made up of:

Expenditure on staff.	Rs.16,800	
Manufacturing charges.	" 597,500	
less receipts		37,100
		5,77,200

(1) Staff. The Sericultural Expert proposes that the present staff is inadequate and that additional staff should be employed and that the salary of the existing and the additional staff should be fixed with reference to the pay of the staff in the new Factory. He has not given details of the existing staff. Excluding the Managing Agents' Allowances, the expenditure incurred by the Company during a period of 14 months is only Rs.3,635-7-0. In the proposals of the Sericultural Expert, an expenditure of nearly Rs.12,120/- per annum is contemplated. Compared with ~~Based on~~ the expenditure on staff, including the Manager and T.A proposed for the Govt. Silk Filatures Factory, the expenditure on staff & T.A for this Factory works out to Rs.10,350 per annum as against Rs.12,820 proposed by the Sericultural Expert. This shows that the staff proposed may considerably be reduced. For orders whether further particulars regarding the existing staff and its pay and the necessity for ~~such~~ such extra expenditure on staff under the proposed Govt. control may be called for or whether the Director may be told that the expenditure on staff and T.A should not be more than Rs.10,350.

(2) Manufacturing charges.
(3) Receipts.

The expenditure on manufacturing charges and the receipts estimated are based on similar items proposed for the Govt. Factory.

Compensation to be paid to the Company. It is suggested that a compensation of 7½ % on the certified value of the assets of the Company on th e date of transfer of control be paid to the Company. It is not clear whether compensation of 7½% on the assets is to be paid ~~only once~~ in a lump sum or whether compensation at ~~7½ %~~ a specified rate on the assets is to be paid monthly or annually. The latter is perhaps the intention. Compensation may also be paid monthly or annually at the rates calculated on the net profits that might accrue to the Firm if it is run by the Board of Directors without Govt. control. The form and amount of compensation that should be paid to the Company may be settled later in consultation with Finance. For orders whether particulars of the value of the assets etc may be called for.

Condition of working of the Factory under Govt. control. -

The

The note of the Sericultural Expert on this point is written on the basis of the terms agreed upon between the Government of Madras and the Government of India for the working of the new Silk Filature Factory at Kollegal. These conditions may require certain alterations ultimately and may be settled later if the Govt. of India are not to finance the working of the factory (if requisitioned under the D.O.I. Rules) and if the Provincial Govt. are to run it from their funds.

A. What alterations are required if the Provincial Govt. are to take over? What would be the difference between the expenditure and the receipts (at the prices accepted by G.o.I. for the silk and assuming that the factory will work to its full capacity)?

To Under Secretary.

With reference to orders at M on p 2 above, a draft memo to the D.Sec is submitted.

Re: Secretary's query at B above

When the provincial Govt requisition the factory to be worked under their control, the terms 2 and 10-11 require modification as shown in pencil. The note of the Sericultural Expert becomes unnecessary. The Govt will have to determine the compensation to be paid by way of rent to the Company for the duration of the Govt control of the factory, and such other payments as may have to be made at the termination of this control. The cost of production of silk will have to be worked out and adjusted so as not to exceed the contract rate for silk offered by the Govt of India. In sub-clause (d) of cl. 15 at p 6 of, the proportionate share of the Provl Govt will have to be debited to the producers account, instead of the share of the Central Govt, in respect of the extra expenditure on the propagation and supply of disease free seed & mulberry

Cultivation.

During the period of Govt control, it may not be necessary to provide for the Board of Directors of the Company to have access to the Factory or to have any sort of inspection. The Board of Directors will be left to decide the payment to the Shareholders of any dividend etc from out of the Company's paid to the Company Within the Govt being concerned with the relation between the General body of Shareholders and the Board of Directors.

Provision will have to be made to reimburse the Govt on account of any Capital expenditure incurred by the Govt to ensure better working and efficient ~~working~~ of the Factory, subject to any depreciation allowed on such Capital items.

The net effect of requisitioning the Company on the above terms will be that the Govt of India will step into the position of a private contractor for the supply of silk to the Dept of Supply as in the case of the supply of Handloom products and non textile goods through the agency of the Yarn Cons and the "Official Agency". The Director may also be asked to state the alterations necessary to the terms suggested in the wake of the Secretarial Expert's C on p 3 above.

The estimated production of silk when the factory works to full capacity is 45,000 lbs per annum Assuming the average price payable by the Dept of Supply per lb of Silk to be Rs 15/-, the approximate receipts on silk supplied will be Rs 6 75 000. It is estimated that a sum of Rs 370 80, will be received from Sale of double Cocoons and Silk waste, which are by products. The total receipts will therefore amount to Rs 7,12080 per annum. Against this ~~expenditure~~, receipt, the expenditure on Staff, as proposed by the Secretarial Expert, and Manufacturing charges is estimated at Rs 6,14,300 excluding the items mentioned at M on p 8 of. Making a lump sum provision of Rs 80,000/- for the items mentioned at M on p 8 of., there will be a small margin of Rs 17,800 left over the total expenditure. On this basis, the working of the Factory under Govt control will not result

in any loss. The Sericultural Expert may perhaps be asked to work out these figures subject to what is advised in the draft memo to the D.I.C. [illegible]

[Issued as memo. No. 11446 D/42-3 dt 28-12-42 from the D.I.C No. 2160-D/42 dt 6.1.43]

To Under Secretary.

Expenditure on staff: A comparative statement showing the details of the existing and proposed staff and the staff proposed for the new filatures is on p. 14 c.f. The Director considers that the staff proposed is quite necessary. This may be accepted.

2 Compensation to be paid to the Company: 7½ per cent of the certified value of the company's property is Rs. 828 00 × 7½ / 100 Rs. 6,210. The company earned profits during 1939-40 and 1941-42 but sustained loss during 1938-39 and 1940-41. The profit during 1941-42 is Rs. 9,832. The Sericultural Expert is of the opinion that compensation may be paid at 7½ per cent of the certified value of the property. For orders whether this may be accepted. Compensation may be paid annually as already decided.

3 Receipts and expenditure: The details for these are given on p. 15 c.f. A profit of Rs. 97,200 per annum not taking into account the interest to be paid on working capital has been estimated. The net working capital required is estimated at 5,77,200. Interest at 5% (adopted for productive works) on this amount is Rs. 28,960. Deducting this amount A net profit of Rs. 68,240 per annum on the working of the concern is therefore expected.

4. Terms under which the concern may be taken over by the Government: The revised terms suggested are given on pp. 15-16 c.f They do not call for any remarks and may be accepted. Legal may be requested to advise the manner in which this going concern should be taken over under the Defence of India Rules under these terms. The remarks of Finance and Legal may be invited.

19.1.43

20143
S

b

Para 1. on p 5. I am afraid that the powers for an Asst Manager will have to be raised to Rs 200-1500/-. The present man, who is the only man who can train the operatives properly, is being tempted away by the offer of pay in this scale.

Para 2. The proposals may be accepted.

Para 3. Profits will be reduced by the increased pay proposed for Asst Manager.

Para 4. Legal may advise. The terms ~~would~~ are normally those for an agreement as to compensation under Sec 19 (1) A of the D of I Act.

If Legal decide that Rule 87 and not rule 75 A is the appropriate section they will also have to consider what rule of compensation, if any, will apply. Although I would look as if it would have to pay all the profits to the shareholders it merely takes over the control of a factory!

General. It may be of interest to Finance to know that the Company banks in Mysore.

Sd/- A.W.
21.1.43

Sd/- Legal
Fin.

Dy No No HH46 Sec/42-4
21.1.43

Legal Department.

The proposal amounts to the requisitioning of a going concern. The Lahore High Court recently held that Rule 75A of the Defence of India Rules cannot be invoked for requisitioning a going concern. Under that rule, only specific property (movables and/or immovables) can be requisitioned. As I have pointed out in the file relating to the Andhra Paper Mills, specific property such as lands, buildings, machinery and stocks of materials (as distinct from the going concern as such)

can be requisitioned under Rule 75A. That rule does not contemplate the taking over of the staff, the pending contracts, the management, goodwill etc. of a going concern as they are not material property. All that can be done under the rule is to requisition or acquire specific properties and the properties so requisitioned or acquired can be dealt with by the Government in such manner as they think fit. The compensation payable for such requisition or acquisition should be fixed in respect of movable property under Rule 75A (4) and in respect of other properties by agreement failing which by arbitration.-

2. Under Rule 81 of the Defence of India Rules, the Government can assume control over a concern; but the rule does not enable the Government actually to take over the concern. They can for example regulate production, require certain work to be done, determine the order of priority in which work should be done, control or fix charges, require or prohibit the employment of certain persons in the concern, require the maintenance of such books and accounts as they may determine etc The Government can also appoint a Controller to exercise powers of direction and control over the undertaking. The Controller can issue directions in regard to the carrying on of the undertaking and the management will be bound to carry out such directions — See Rule 81 (3). All these do not amount to actual taking over of the undertaking. The original management will continue to function subject to the control which has been assumed by the Government.

3 For the assumption of control over an undertaking, no compensation is payable to the owner of the undertaking. For any work done by the undertaking for the Government, it will of course get paid. The ownership and actual management of the undertaking will continue to remain with the person in whom it was vested before the assumption of control, except that the management will abide by and carry out the directions issued by the Government or the Controller.

4 As far as I can see, there is no provision in the Defence of

India Rules under which a going concern as such may be requisitioned or taken over. The taking over of the concern as such can therefore be effected only by agreement.

Finance(Accts-B).

The case relates to the taking over of the Kollegal Silk Filatures Ltd., and to run it under Government control with a view to ensure the fulfilment of the existing contract for supply of silk and to increase the production of silk for war purposes. The proposals of the Director of Industries regarding the conditions under which the concern may be taken over by the Govt., are detailed on pages 15-16 C.F.

SECRETARY TO GOVERNMENT 5- FEB 1943 FINANCE DEPARTMENT

In their note on pages 6-8 above, the Legal Department have examined the propriety of requisitioning of a going concern and advise that the taking over of the concern as such can be effected only by agreement. Development may take orders in circulation.

2. The financial effect of the proposal is estimated as follows:-

Receipts.	Rs	Expenditure.	Rs
Sale of 45,000 lbs of raw silk at Rs 15-2-0 per lb.	6,80,625	Pay of officers	4,200
		" Establishment	12,120
Receipts from bye-products	37,100	Travelling allowance	500
		Manufacturing charges	5,95,716
		Dearness allowance	1,800
		Compensation 7½%	6,200
	7,17,725		6,20,536

Rs 97,189

Net profit 97,200 (roundly)

This is on the basis of minimum scales of pay. But, for these purposes, average scales of pay are taken into account and the profits will be reduced to Rs 90,600/-

The Development Department's note on pages 5-6 ante sets out the position. The following remarks seem called for in this Dept:-

3. Staff.- On the taking over the factory by the Government, it is proposed to employ staff on the lines sanctioned for the new silk

Filature Government Factory. The Sericulture expert says that the staff has been proposed on a proportionate basis, i.e. with reference to the 150 basins to be worked in the old factory as against 500 basins in the new factory. The scales of pay suggested are also generally identical with the scales sanctioned for posts in the new factory. The proposals may be accepted subject to the following remarks on certain particular items noted below:-

Business Manager.- The scale of pay suggested, viz., Rs 350-500 is identical with that sanctioned for the Manager in the New Factory. As the old factory will work only with 150 basins as against 500 in the new factory, the same scale of pay cannot be justified in the small factory also. There is also a separate proposal to appoint a Chinese as Business Manager of the New Factory and the Govt. of India had intimated that they had selected an officer on Rs 700/-. It is not clear why this officer should not be placed in charge or both the factories in view of the high pay offered to him. Finance may suggest that this arrangement may be adopted if possible - vide also remarks below in regard to the Assistant Manager.

Assistant Manager.- The scale of pay proposed by the Sericultural Expert for the Assistant Manager is Rs 140-12½/2-190 as against Rs 165-10/2-195-15/2-210 sanctioned for a similar post in the New Factory. Development Secretary, however, suggests a scale of Rs 200-400 in order to retain the present man in the factory (who is drawing Rs 130) in the place as he is the only man who can train operatives properly and he is being tempted away by the offer of pay in this scale.

It is submitted that it will be invidious to sanction a scale of Rs 200-400 for the post of Assistant Manager in the smaller factory when the similar post in the new bigger factory will carry only Rs 165-210. Such a course will at once give rise to a claim for revision of pay in the bigger factory also and Finance may definitely advise against it.

In order to retain the man in question, Finance may suggest

the following arrangement. As already remarked above, there is no need for a separate Business Manager in the old factory, but, if the post is quite essential, the Assistant Manager's post at least may be dispensed with. A combined post of a Manager may then be created on a pay of Rs ~~200-20/2-300~~ 190-22½-240-32½-300 (~~eight year scale as in the case of the scale sanctioned for Assistant Manager in the New Factory~~) and the incumbent in question appointed to that post.

4. Compensation.- At the instance of the Sericultural Expert, Development propose that compensation may be paid at 7½% of the certified value of the property. It is not clear whether the payment of compensation in connection with the taking over of the Andhra Paper Mills referred to by the Legal Secretary on p. 6 ante has been accepted by the Government or whether such a concession has been allowed to any factories requisitioned under the Defence of India Rules. Development may perhaps be requested to have the property estimated by the Technical Officers and to adopt the value as assessed by them as certified value of the property.

As regards the rate of compensation, it seems enough if 6% is adopted. (Secretary suggested this rate in connection with the compensation to be paid to the owners of motor vehicles in certain cases of delay in acquiring the vehicles).

5. Working Capital. The net working capital required is estimated at Rs 5,77 200/- The Sericultural Expert suggests the utilisation of the cash in the Management's hands for the purpose and the payment of interest thereon at the average rate of Madras Treasury Bill borrowings which is less than 1 per cent. It is not known what balances the Management have, and whether they will be satisfied with the average rate on treasury bill borrowings. On the working capital provided by this Govt. in respect of the new Filature Factory, Govt. of India is to be debited through the cost of production with interest at 2 per cent per annum on the working capital, i.e. the ways and means advance rate = See next sub-para below.

Similarly if the cash in the management's hands (the amount available is not known - apparently small) is to be taken over we may pay interest on the working capital at 2 %.

The Govt. may provide the balance of the working capital required and charge cost of production account with 2% on account of interest on the entire working capital. A higher rate will be specified from a business point of view

I think in the Andhra Paper Mills case, Fin. suggested charging 3% p.a. on daily debit balances to cost of production. The same may be suggested here.

6. Funds.- The expenditure on the scheme is debitable to "43.a. Industries - Industries- J. Sericulture" The proposal to take over a concern will have to be treated as on New Service and orders of Government in full circulation will have to be taken. Necessary action to obtain ~~a supplementary~~ the authorisation of H.E. the Governor (~~should be obtained~~ to a supplementary estimate taken by Dept.) in due course. (per annum) As the cost is likely to exceed Rs 25,000 (~~Recurring~~) if ~~this~~ is to be taken over by Govt. the sanction of the Governor-General will also have to be obtained under sec.93 situation. As the scheme is to increase production as a war measure, such sanction may be presumed and post facto approval of the Governor-General may be obtained in due course.

B. The College Silk Filatures Co. has on the whole been working at a loss. (cf portion B on page 14 Cr.) The net profits of Rs 47.200 anticipated, if the Govt take over the factory are probably over optimistic. The price of silk is now very high. If prices go down it will not be possible to realise the above profits. Further, once the Govt. take over the concern, the working expenses are likely to increase

1. As regards the payment of compensation, please see para 2 on page 5 ante & para 4 on page 10 ante. 7½% seems too high a rate to adopt & 6% seems fairer the amount of compensation to be paid will then come to about Rs 5000 p.a

2. It will be observed that the contract is proposed only for the duration of the war or till the cessation of hostilities whichever is earlier. (para 4, page 16 Cr)

11.2.43 If the land & buildings are to be requisitioned, there will be no question of a contract with the Co. & compensation would have to be settled by agreement or, failing agreement, by arbitration. If the factory is taken over as a going concern by agreement, the amount to be paid to the Co. will have to be settled as part of the agreement. In either case 6% p.a. on a reasonable valuation of the property taken over would seem to be a fair offer to make to the Co. 11.2.43 Dept.

UNDER SECRETARY 11 FEB 1943 DEVELOPMENT DEPT.

Fin No. 3349 Accts(B)-1
11.2.43

12

Dev. Dept.

To UnderSecretary.

This file deals with the proposal to requisition or take over the Kollegal Silk Filatures Ltd as a going concern to be worked under the control of the Govt. of Madras to ensure better production of silk required for war purposes. Legal was asked to advise on the appropriate rule under the D.O.I. rules which would be applicable to such a course. That dept. has pointed out that under rule 75 A only specific properties-Movable or/and immovables- could be requisioned and that the taking over of a the staff, pending contracts, management etc of a going concern is not contemplated by that rule. It is stated that under rule 81, the Govt. can assume control over a concern but that it does not enable the Govt. to actually take over the concern. It is also pointed ay that the taking over of the concern as proposed in this case can be effected only by agreement. The Govt. of India have since suggested that the technical side of the factory may be in charge of the Chinese Technical expert when he arrives assisted by Mr. Peychaud and that the factory side may be entrusted to one of the large business organisations having on their staff a number of engineers and other capable executives. M/s: Binny Co., have been asked whether they can take up the work. With the properties of the factory, say, machinery, stocks building and land requisitioned and placed at their disposal, they may not be in a position to work the factory unless the services of all the existing technical staff and of the Chinese Expert are made available. In this case also an agreement with the company may be necessary to secure the services of the technical staff. It is therefore for orders whether the D.I.C will be asked meanwhile to ascertain and report whether the Board of Directors will consent to transfer the company as a going concern to the Govt. for a specified term on an agreement and if so on what terms or whether the results of the negotiations with M/s. Binny Co. may be awaited.

For orders.

17243

17243 S

I have discussed the matter with Legal Secy. There is no real difficulty about requisitioning the property under 75(a) but the requisitioning cannot extend to contracts. E.g., we cannot keep a foreman or a workman on the ground that he has a contract with the

Company whose premises we have acquired, but this is not a practical difficulty as there is no reason to believe that such people will not wish to continue to work at the factory and to enter into fresh employment contracts with us.

We cannot I think go into details over Manager's salaries now. We Have Mr. Chou the Chinese expert who has been engaged for the Govt. Factory but might be able to take on both and there is also Mr. Peychaud.

Binny & Co. have agreed to discuss taking over management of both factories.

Compensation may be offerred at 6% per annum of the value of the property. We need not wait till agreement has been secured before requisitioning.

The working capital required is considerable - Rs.5,77,200. Finance suggests that 3% per annum may be charged on daily balances to working expenses. In the Andhra Paper Mills case they have suggested 3½ per cent.

The proposal to requisition the premises and machinery may be approved.

It will also be necessary to requisition the stock I think as though this is of inferior quality some may be usable for war purposes.

18.2.43

A 2 A 4 A 3 A 1 1+E

We should requisition the mill at once + run it under the Peychaud's management at least until Mr Chou arrives. Our own mill will come into operation in a month or two + we shd then run the two under one management — I think that will be practicable. The DC may discuss the question of Binnys taking it over as managing agents on our behalf + ascertain on what terms they are willing to do it.

19.2.43

21.2.43

22.2.43

22/2/43

SECRETARY TO GOVERNMENT 22 FEB 1943 DEPARTMENT

14/ Inform DIC of the decision

Arrange to send a sufficiently clear description of the facility with boundaries, where feasible, if possible for the purposes of a requisite order and to suggest the person to whom the facility is to be handed over

Inform that Bd will provide the cash and ask Lib to make proposals for its custody and for its expenditure on facility purposes. Possibly a special deposit account in the Combatant Sub Treasury or a a

\+ special case as the Mallegal Sub Treasury will meet the case.

If the members we get proposals from Bimry and Co that may solve the problem Inform DIC that the member Rr Regional will be in charge Pun Sec it D2 should see the draft.

Aw
22.2.43

U.S. 22/2 9p m.

Draft memo to DIC submitted for consideration.

Dev

Aw
23.2.43

Fin. Sec. both generally and with regard to para 4.

Aw
23.2.43

PUN SEC.

Fni. Dept.

I would suggest that the words as a going concern" be omitted on p.1 of the draft in view of Legal Dept's advice. It seems unnecessary to ~~the~~ give any detailed instructions regarding financial arrangements at present, as it is not certain whether the Factn will be worked departmentally or through Managing Agents. I would suggest that the DIrC be merely asked to make detailed proposals, including proposals as to financial arrangements, & that portion A on p.1 of the draft be omitted & paras 4 & 5 modified as shown in pencil. I do not think any personal deposit acct is necessy in this case even if the Factory is worked departmentally. The system of personal deposit accts for Commercial Depts was given up some years ago; they now draw on the treasury by bills debitable to the departmental heads & separate commercial accounts are also maintained to show the financial result of the working of the dept or institution. If the Factory is worked departmentally, I think the usual method of accounting, as followed, eg. by the Kerala Soap Institute, will be suitable, & it may be left to the Director to propose any modifications that he considers necessary. No personal deposit a/c has been proposed, I believe, for the Govt Silk Factory.

If 3½% p.a. has been approved in the case of the Andhra Paper Mills as the rate of interest to be charged on daily balances of amounts advanced by the Govt as working capital to the Managing Agents, the same rate may be adopted in this case for the sake of uniformity if advances are to be made to Managing Agents. 3½% p.a. is our effective borrowing rate (rounded to the next higher ¼%) on our last loan. ~~It may be mentioned,~~

If, however, the Kollegal Silk Filatures Factory is to be worked departmentally, ~~as a commercial dept, interest on the average capital at charge will be debited~~ the question of the rate of interest on working capital to be included in the cost of production will need further consideration. In the case of the Govt Silk Factory we

have agreed to charge only 2% p.a., as the G. of I. were very reluctant to concede even that & wanted a lower rate to be charged. If the outfit of the Kollegal Silk Filatures Factory is to be sold to the G. of I. under a similar arrangement to that accepted for the Govt Silk Factory, it is unlikely that the G. of I. will agree to any higher rate of interest than 2% p.a. on working capital being included in cost of production for the purpose of fixing the sale price. (It may be mentioned that interest on capital at charge of commercial depts & institutions is debited in the accounts at a rate fixed (for the capital outlay) each year (now 4½ %) with reference to our borrowing rate, so that unless at least this rate is earned the concern is held to be working at a loss. The question whether this arrangement will apply to the working capital employed in the Govt Silk Factory & also in the Kollegal Silk Filatures, if worked departmentally, needs consideration. This dept has taken an extract & will examine the point.) DWD 23.2.43 Dept Secy.

A B C

The draft which I have modified in the light of Fin Secs very helpful note informs DIC of the decision so that he can get along with the necessary preliminaries.

A Formal order will have to issue when the actual requisitioning order is issued.

An important point in the draft is the rate of interest. A and B and C Fin Secs note states the issue.

3½ % suggested by Fin the Conference

Rules file has not yet come up for approval as a final decision to acquire has not been reached.

2 ops — the case of the Govt Filatures under consideration would seem to be a special case as the Govt of I are now providing the cost of construction.

It is stated at A our effective borrowing rate is 3½ ops. There would seem no need to charge 4½ ops as we have done in the case of other commercial institutions, DC may be told that the probable rate of interest will be 3½ ops

Aw
24.12.43

A 2

A 1 25.2.43

Issue
Aw
26.12.43

As orally ordered by Secy I have added portion A to the draft memo, w.r.t Secys note A above

Issue
26.12.43

A-2 ordered in discussion that the question of acquiring the Factory should be examined urgently.

2. Discussed with the Legal Secretary.

3. Sub-rule (2) of rule 75-A empowers the Provincial Government to acquire any property requisitioned under sub-rule (1). So long as the Govt. Silk Filatures Limited as a going concern and acquire only the land, buildings and equipment our action will be perfectly in order. In the case of movable property the owner is entitled to be paid such compensation as the Government may determine. It

R 75 f (4)

will therefore be necessary to depute an officer for valuing the machinery and other appurtenances of the Factory.

4. As regards the immovable property (land and buildings) the amount of compensation has to be fixed by agreement, and where no such agreement can be reached by appointing an arbitrator as contemplated in section 119(1)(b) of the Defence of India Act. In the event of a dispute the Central Government will have to be addressed to appoint an arbitrator as the power to appoint an arbitrator does not appear to have been delegated to the Provincial Government.

5. The certified value of the Company's property as it stood on 30th June 1942 is reported to be Rs.82,800/- But it would not be a sufficient compliance with rule 75-A (4) if this value is taken as the value of the factory as it is incumbent on the Government to determine -- this presumably implies an enquiry to assess the compensation -- the compensation to be paid to the owner. It is also likely that in view of the increase in prices, the actual value will greatly exceed the certified value. The Director of Industries and Commerce will therfore be asked to report at once confidentially the compensation that should be paid

(a) for immovable property; and

(b) for movable property.

(I told the Director of Industries and Commerce over the phone that the Govt. desired that the question of acquiring the Factory should be considered at once. He seems to think that we should go step by step and that the Factory should be worked by the Department for some time before considering the question of acquisition. I see no reason why the proposal to acquire should not be proceeded pari passu with the proposal to requisition. The following D.O. may issue to the D.I. & C.)

D.O.No. 11446 Sc/42-6) d/ 3.3.43

(Strictly confidential)

My dear Khaleeli,

I am to confirm my telephonic conversation with you today and to say that the Government are anxious that the question of acquiring the Kollegal Silk Filatures Limited should be examined at once. In this connection I am to invite your attention to sub-rule (2) of rule 75-A of the Defence of India Rules which

empowers the Government to acquire property requisitioned under sub-rule (1). The point that should be examined at once is what compensation should be paid to the Factory in respect

(a) immovable property; and

(b) movable property.

It would assist the Government in coming to a decision on this question if you can report urgently the present value of the Factory (figures to be furnished for movable and immovable properties separately).

2. As the acquisition is compulsory it ~~does not appear~~ necessary to bring the fact that the Government intend acquiring the Factory to the notice of the Directors.

Yours sincerely,

A.Khaleeli Esq., I.C.S.,
D.I. & C.

(From the D.I.C.D.O.No.2160-D/43, dated 3-5-1943) pp 19-20 c.f.

To U.S.

The memo. to the D.I.C at pages 17-18 c.f. deals with the arrangements necessary if the Kollegal Silk Filatures are requisitioned and worked under the control of Govt. In the D.O. at pages 18-19 above, figures in regard to the value of the property belonging to the factory were called for in case the Govt. decide to acquire the factory. In his D.O. on pages 19-20 c.f., the Dir. wants that certain points mentioned in the memo. on pages 17-18 c.f. may be made clear and has also made one or two suggestions. They are noted on below.

2. Para 1 of D.O. on page 19- c.f. The property referred to in the memo. is the immovable property (such as land and buildings) and movable property (such as machinery, other equipment and stocks of other materials) belonging to the factory. This has been made clear in the D.O. on pages 19-19 above. The compensation is to be paid at 6% on the value of the property specified above. The question of paying dividend or providing additional working capital does not arise in this connection.

✓ para F p 179

I Pl. see below. Cm

For orders whether the Dir. may be informed accordingly.

3. Para 2 of D.O. on page 19 c.f. In para 4 of the memo. on page 17 c.f. detailed proposals, including proposals as to the financial arrangements and accounts system, were called for. The intention appears to be that these proposals should relate to the arrangements necessary in case the factory after requisition is worked by the Govt. staff. For orders whether the financial arrangements suggested by the Dir. may be agreed to. The acceptance by Govt. is necessary. The further report in regard to accounts procedure may be awaited. It is not clear from the D.O. whether the Director proposes to send detailed proposals in regard to other arrangements necessary.

II Pl. see below. Cm

4. Para 3 on pages 19-20 c.f. The proposal in respect of this filature is that this Govt. may take it over on their own account independently of the Govt. of India. In the circumstances the question of any expenditure being borne by the Govt. of India will not arise. The Dir. has already been informed of this. vide para of memo. at pages 11-12 c.f. For orders whether the attention of the Dir. may be invited to this.

III Pl. see below Cm

5. Para 4 on page 20 c.f. The expenditure sanctioned in G.O. No.136, Dev. dated 6-2-1943 is in regard to the scheme of training in the existing filatures for the supervisory and labour staff of the new Govt. factory including payment of compensation to the former for operational losses etc. Even after the private factory is taken over by the Govt. its business will have to be kept distinct from that of the Govt. factory and as such compensation will have to be paid to the other. In the circumstances no alteration to the orders in G.O.No.136, Dev. dated 6-2-1943 will be called for, as stated by the Dir. For orders whether the Dir. may be informed accordingly.

IV Pl. see below Cm

V (M)

7/3/43.

I. Pl. see x at p. 13 ante

Secy: suggested and A.2 approves that compensation may be offered at 6% p.a. of the value of the property. The intention would appear to be to take the value of the property, both movable and immovable, as the basis and to pay compensation at 6% p.a. on

that basis. This will be the amount which will have to be disbursed to the shareholders in lieu of a declared dividend. It is for orders whether this view is correct | to below ?

II. The financial arrangement suggested by the D.I.C., that Peychaud might draw cheques on the Sub Treasury at Kollegal, is in accordance with Secy's note at X p 14 ref. ante. Financier may be asked if they agree to this procedure. | A

The maintenance of accounts at the Filature is a separate question and DIC may be told that detailed proposals in this regard are awaited. | ?

III The authority for the statement that the Govt. propose to take up this Filature on their own account independently of the G.I is the note of Secy. at M. p. 1. ref. ante, which was incorporated in the memo at p. 12 cf. (portion marked x). Orders in circulation have not so far been obtained on this point. The position may perhaps be clarified and the DIC told clearly that the proposal to requisition or acquire this has nothing to do with the Govt. of India or H.M.'s Govt | Note to Secy & Clarify the position. This instructions may issue after Decision is reached on the Govt proposal & acquire the factory. ?

IV This will follow the orders on III above

Cn
8343. D.S.

I ~~the present value of the factory with appurtenances~~ will ~~really be~~ the value at the time of the Govt

The Director of Industries and Commerce discussed the points raised in his D.O. at pages 19-20 c.f. with A-2 yesterday.

2. Compensation to be paid to the Factory. The suggestion that compensation should be paid at 6% on the paid up capital did not commend itself to A-2. A-2 observed that a fair basis for payment of compensation is the value of the property, movable and immovable. In order to value the property he suggested that an Executive Engineer might be put on the job immediately, on special duty if necessary.

3. Banking Arrangements. This point was not discussed. Finance will be consulted on the suggestion that Peychaud might be permitted to draw cheques on the Sub Treasury at Kollegal.

4. Management of the Kollegal Silk Filatures. A-2 did not approve of the arrangement suggested by the D.I. & C. that Govt. should work the Kollegal Silk Filatures as agents of His Majesty's Government. When Government take over the Factory they may enter into separate contract with the Supply Department.

5. Scheme of training sanctioned by Government in the G.O. at 'M'. If as is the intention the Factory is acquired, the Govt. will take the place of the Company and the terms of the training will apply mutatis mutandis.

6. A draft reply to the D.I. & C. and a Memo to the C.E. are put up.

[From the D.I.& C., D.O.No. 2160 D/42 d 9.3.43]

To Under Secretary.

The D.I.& C. has furnished particulars of the immovable and movable properties of the Kollegal Silk Filatures Ltd. A draft requisitioning order to be served on the Company is submitted for consideration. It may be sent to Legal Dept. for scrutiny.

11343 Legal

24/ Legal Depts

The alterations indicated in red ink on the draft may be made

12/3/43 S Rao 12/3/43

DW

From the D.I. & C. D.O.No.Nil, dated 12-3-1943.

The Director has reported that the factory has stopped working for want of working capital. He has suggested that Peychaud should be authorised to draw upto a lakh and a half rupees from the Sub-treasury, Kollegal. The question of security does not arise as it is proposed to requisition the factory. We may place a sum not exceeding a lakh and a half rupees at the ~~disposal of Mr. Peychaud to meet~~ the working expenses of the factory.

2. Finance Secretary may see paragraph 3 of the draft order before circulation.

12/3/43

Dy Secy

Fin. Dept.

It is suggested that para 3 of the draft order be modified as shown in pencil

A on p. 22 N.F. If it essential for Mr. Peychaud to draw cheques on Kollegal sub-treasury, Fin. will not object. The arrangement is in force generally only for P.W.D & Forest officers, but has been allowed as a special case in the war conditions for the Collr of Madras, A.R.P. Controller, Madras etc. The A.G. would have to issue detailed instructions as to safeguards, accounting arrangements etc., ~~but~~ and it would be better to ~~endeavour~~ get his concurrence before issuing orders in the point if possible. If, however, it is not possible to consult him beforehand, the order may issue in anticipation of his concurrence & the specially urgent nature of the case may be mentioned in a ~~covering~~ separate memo ~~endg~~ the order to the A.G.

Secy 12.3.43 Desk

The draft order requisitioning the factory is for approval.

12/3/43

A2 Sec

15/3/43 A1 Sec

H.S.

AH

15/3

[G.O. No 311 Ms Dev confdl dated 12.3.43]

Issued at pp 29-31 C

A2 Sec

Dft H.O

Why clear why this has been sent back to us

15.3.43

When Secy is S's room, the peon wrongly took him to H's room instead of A